

The Impact of Motivation on Employee Performance in Selected Insurance Companies in Nigeria

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Abstract

Motivation refers to a complexity of forces that inspires a person at work to intensify his desire and willingness to use his potentialities to perform in order to achieve organizational goals or objectives. This study investigates the relationship between motivation and the level of employee performance as applied to some selected insurance companies in Lagos. The study has three main objectives: to evaluate the effects of motivation on employee performance in some selected insurance companies, to assess motivational factors that can influence employee performance, and to recommend possible policies and innovations for better performance of the employees and increased profitability. Structured Questionnaire was used as the instrument for the research work. This instrument was tested for reliability and validity of its content. The results of the tests were certified by experts. The study used stratified random sampling and simple random sampling techniques in selecting the respondents. A sample of 100 respondents which included management, senior and junior staff members, of the selected insurance company was used for the primary data. Simple percentages, distribution tables and pie chart statistical tools were used to analyse the primary data while Chi-Square (X^2) was applied to test the only hypothesis formulated for the study at 0.05 level of significance. The findings revealed that motivation was the major factor that affected employee performance. Furthermore, the study showed a direct strong and positive relationship between motivation of employees and their performance. This study hereby recommends that the management teams in organizations should always carry out a thorough study on the various motivational tools that can appeal and motivate their employees. Such motivational tools can include: involvement of employees in decision making, rotation of employees, provision of fringe benefits, payment of bonuses to workers, and promotion of deserved staff to higher positions of authority.

Keywords: *motivation, employee performance, intrinsic and extrinsic motivation.*

Introduction

Motivation can be defined as the complexity of forces that inspires a person at work to intensify his desires and willingness to use his potential to perform in order to achieve organizational objectives. According to Mile (2004), motivation is a condition which influences the arousal, direction and maintenance of behavior. Human needs must be satisfied, and this can cause the arousal of motivational forces. Koontz et al. (1990) opined that motivation of employees is an important inner control tool and should be satisfied in order to attain advantages such as increased employee commitment, increased productivity and efficiency. Motivation emphasizes

result-oriented management through the setting of smart goals and effective communication systems in an organization.

According to Koontz et al. (1990), employee performance refers to the efficiency and effectiveness of employees in achieving organizational goals and objectives. They further stated that employee performance could be evaluated by considering the level of absenteeism, quality of reports, and the time of reporting for and leaving duty.

Statement of Problem

Towers, (2003) emphasized in his book titled, *Working Today: Understanding What Drives Employee Engagement*, quoted by Adelanwa (2013), that employee motivation was the biggest driver of organizational performance. He further stated that an organization that was able to motivate its employees and maintain it would be able to leverage their zeal and drive in order to ensure staff performance.

This study is therefore aimed at evaluating the impact of motivation on the employees and the level of their performance.

Research Questions

1. Is there any relationship between motivation and employee performance?
2. Is it necessary to motivate employees before they can perform?
3. Should motivation of employees be limited to salary and allowances?

Objectives of the Study

This research study will evaluate the motivational factors that can influence employee performance, assess effects of motivation on employee performance, and recommend possible motivational policies and innovations for increasing the level of performance of the employees. The independent variable in this study is performance while the dependent variable is motivation. Motivation will be discussed using the following variables: salaries and wages, ICT training, fringe benefits (e.g. house rent allowance, leave bonus, transportation allowance, luncheon vouchers), staff training, provision for staff self-development benefits, length of service award to deserved staff, along with others.

Research Hypothesis

1. There is no strong relationship between employee performance and motivation.
2. It is not necessary to motivate employees before they perform.
3. Motivation of employees should not be limited to salaries and allowances.

Scope of Study

The study focuses on the impact of motivation on employee performance and the relationship between motivation and employee performance.

Significance of the Study

The research will be of great importance to various organizations and groups of employers of labor in assisting them in knowing different forms of motivation for better performance.

Literature Review

There are competitive environments among the various businesses and organizations. Therefore, all employers of labor try to manage their overhead costs in order to retain their key employees through motivation. The relationship between motivation and employee performance is that employees tend to perform much better when they are positively and consistently motivated. However, the employees perform less when they are poorly motivated. Therefore, motivation is directly proportional to the performance of employees. Kreitner (1989) and Higgins (1994) in their respective comments asserted that motivation is the psychological process that gives behavior, purpose, direction and an internal drive to satisfy an unsatisfied need. Adelanwa (2013) referenced Deci, Ryan and Roberts by saying,

Traditionally, motivation has been defined by the two dimensions that comprise it, namely: energy and direction. The energy dimension of motivation is the driving force behind someone's efforts and persistence during engagement in a particular activity. Direction of motivation determines the area or field of interest in which that effort is projected. Both energy and direction are necessary elements of a complete motivational act. Energy without a direction has no purpose, and direction without energy results in a state of no motivation. (p. 56)

Different scholars have agreed and disagreed on the ways employees should be motivated. Some of them assert that in order to motivate an individual, a financial reward is necessary by the motivator whereas others believe that money is not a true motivator hence both financial and non-financial incentives are required. According to Cole (1998), financial incentives are rewards that employees receive in consideration of their contribution towards the organization. Lindner (1998) noted that monetary methods of motivation have little value, even though many firms still use money as a major incentive. She adds that wages are normally paid per hours worked and workers receive money at the end of the week, and overtime is paid for any additional hours worked, whereas salaries are based on a year's work and are paid at the end of each month. Chien-Chung (2003) said, "Piece rate is the paying of a worker per item produced in a certain period of time." He asserted that this incentive increased speed of work and therefore, productivity. This was in agreement with the earlier revelations made by Taylor (1911) who noted that the employees considered piece rate as a practice of motivation. Doellgast (2006) believed that fringe benefits are often known as "perks" and are items which an employee receives in addition to their normal wage and salary. These include: company cars, health insurance, free meals, education, and so on. He asserts that these encourage loyalty to the company, and as such, employees may stay longer with the company. Another believer of this school of thought includes Likert (2004).

An additional school of thought believes that non-financial incentives are the most important motivators of human behavior in terms of the needs of human beings. These researchers

believe that non-financial incentives such as training opportunities, job rotation and communication styles are excellent motivators. The believers of this school of thought include Herzberg (2000) and Fowler (2001). However, Clifton (2000) disagreed with the view that job rotation does not actually lead to the motivation of employees. This practice only helps the employees not get bored with their work but does not maintain a certain level of motivation in employees.

A third school of thought believes that employee performance can be increased through the provision of non-financial incentives such as goal clarity, knowledge of structures and feedback. Believers in this school of thought are Knights and Willmott (2007), Peterson and Luthans (2006), Rynes, Gerhart, Minette, and Edwards (2004) along with Taylor (1911).

Another school of thought believes that performance might not occur if the environmental conditions are so unsuitable as to present insurmountable barriers to performance (Rynes et al., 2004). These environmental conditions, they believe, include technology, training and experience, abilities, and work-home balance. Technology, according to Samuel (2010), is a primary tool that can be used to boost employee performance. Improvement in technology accompanied by training of the employees can significantly increase their level of performance because it reduces the stress that comes with doing the job manually. Scott (2000) defined ability as the capacity to learn and perform the tasks required. He revealed that a good mixture of ability, training and experience is the root cause of the best performance. He asserted that the best performing employees have at least, two of the three factors. In addition, Berman (2001) wrote that as much as an employer might not want to be affected by the personal life of his employees, personal problems can sometimes affect employee performance. Managers need to be more sensitive to employee personal problems and be prepared to discuss the issues with the employees when necessary. If an employee requires time off to deal with a personal problem, Berman continued, then granting that time off would help to show all other employees that the company values its employees. In all, motivation that leads to productivity can be complicated.

Challenges of Motivation

Some of the challenges facing the application of motivation in organizations include corporate culture, communication style, organization direction, decision making, and feedback mechanism (Deci, 1975).

Theoretical Framework

This research study is based on the following motivational theories:

Maslow's Hierarchy of Needs Theory (1943)

Abraham Maslow in 1943 published a theory on what motivates human beings in his paper titled, "A Theory of Human Motivation." In it, Maslow said that human beings had five levels of needs that they always sought to meet. The more the needs are basic for life, the more motivated a person is to fulfil them. However, they would experience more stress if they failed or were unable

to fulfil them. The five levels of need are: physiological needs, safety needs, belongingness needs, ego-status needs and self-actualization needs.

Expectancy Theory of Motivation

This theory tries to explain and predict motivated behavior. It attempts to answer the question: What determines a person's readiness for motivated behavior? The theory draws on thoughts from rational science, which includes human behavior as being controlled by a desire for maximum use of a given behavior. The following formula can be used to explain the theory (Atkinson, 1964).

Motivation = Expectancy x Instrumentality x Valence (E x I x V) where:

E = Expectancy, or "the relevant employee's expectations that his performance leads to the desired result, i.e. that the performance will be successful (Laegaard & Bindslev, 2006, p. 46)."

I = Instrumentality, or "the personal assessment of the probability of different rewards as a consequence of successful task performance. Some rewards will in all probability occur while others have significantly smaller or very poor probability (Laegaard & Bindslev)."

V = Valence, or "the value attached to these rewards by the employee concerned. Examples of rewards are promotion, higher pay (increase in salary), time off, over-time pay, credit, and so on. The factor V is the personal value of possible rewards and is often called Valence (Laegaard & Bindslev)."

Management by Objectives (MBO)

This theory relies on the idea that "most human behavior depends on unconscious choices related to objectives and intentions" (Laegaard & Bindsley, 2006, p. 48). All actions have a direction and a desired result. Techniques for objective setting include the practical use of several motivational theories, or of which the Expectancy Theory is a primary influence. The belief is that the objectives and the process of objectives setting have positive influence on motivation that can lead to better performance. Objectives, or goals, must be SMART. That is S = Specific, M = Measurable, A = Ambitious and Attractive, R = Realistic, T = Time related (Laegaard & Bindslev).

McClelland's Motivational Theory (1971)

David McClelland's Theory begins with the management group, and he "focuses on three meaningful needs which he believes are culturally acquired and therefore, possible to change through training. He does not deal with progression and regression between needs but with the needs/motives that have significant influence on productivity and efficiency in work life. McClelland's needs, which are often called APA needs, include:

1. **Achievement Needs:** This is the need to achieve high performance and to master difficult and complex tasks.
2. **Power Needs:** This is a need to take responsibility, take charge, gain influence, and the willingness to make a difference. McClelland distinguished between social power needs,

i.e. the need to perform well for others and/or the entire company, and personal power needs, i.e. the need to create personal gain.

3. **Affiliation Need:** This is the need for social interaction and need to create and maintain friendships. McClelland believed that all people have different composition of the three needs, but that one of the three needs is usually dominate (Laegaard & Bindsley, 2006, p. 54).

Research Method

A descriptive research design was used in carrying out this study. The purposeful sampling technique was used to collect data from the management staff, underwriting department staff, claims department staff, marketing department staff and accounting department staff of the selected insurance organizations through the use of a structured questionnaire. One hundred copies of the questionnaire were administered and collected. Distribution and frequency tables and percentages were used for data presentation. A four Likert scale ranging from Strongly agree - SA (4), Agree - A (3), Disagree - D (2), and Strongly disagree - SD (1) was used to measure the adequacy of the data. Only one of the hypotheses was tested using the Chi-square [X^2] statistical tool.

Data Presentation, Analysis and Results

Table 1

Length of Service

Length of service	Frequency	Percentage	Valid %	Cumulative Percentage
1-5 years	16	16	16	16
6-10 years	34	34	34	50
11-15 years	28	28	28	78
16 years	22	22	22	100
Total	100	100	100	

Table 2

Wages and salaries as a factor of motivation

Motivation Levels	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Strongly Agree	10	10	10	10
Agree	18	18	18	28
Disagree	45	45	45	73
Strongly Disagree	27	27	27	100
Total	100	100	100	

Table 3

Fringe Benefits as Factor of Motivation

Fringe Benefits	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Strongly Agree	64	64	64	64
Agree	32	32	32	96
Disagree	4	4	4	100
Strongly Disagree	0	0	0	100
Total	100	100	100	

Table 4

In-Service Training of Workers as Factor of Motivation

Employee Training	Frequency	Valid Percentage	Cumulative Percentage
Strongly Agree	76	76	76
Agree	20	20	96
Disagree	4	4	100
Strongly Disagree	0	0	100
Total	100	100	

Table 5

Participation in Decision Making as Factor of Motivation

Decision Making	Frequency	Valid Percentage	Cumulative Percentage
Strongly Agree	4	4	4
Agree	8	8	12
Disagree	30	30	42
Strongly Disagree	58	58	100
Total	100	100	

Table 6

Promotion as Factor of Motivation

Employee Promotion	Frequency	Valid Percentage	Cumulative Percentage
Strongly Agree	20	20	20
Agree	14	14	34
Disagree	46	46	80
Strongly Disagree	20	20	100
Total	100	100	

Table 7

Goal Clarity and Staff Performance as Factor of Motivation

Goal Clarity	Frequency	Valid Percentage	Cumulative Percentage
Strongly Agree	24	24	24
Agree	56	56	80
Disagree	12	12	92
Strongly Disagree	8	8	100
Total	100	100	

Note. Respondents were requested to indicate if goal clarity of an organization can help to improve employee performance.

Table 8

Working Conditions as a factor for improved Performance

Working Conditions	Frequency	Valid Percentage	Cumulative Percentage
Strongly Agree	48	48	48
Agree	38	38	86
Disagree	8	8	94
Strongly Disagree	6	6	100
Total	100	100	

Note. The respondents were asked to indicate if the working conditions can lead to improved performance of the employees.

Table 9

Use of ICT as a factor for improved performance

Use of ICT	Frequency	Valid Percentage	Cumulative Percentage
Strongly Agree	44	44	44
Agree	40	40	84
Disagree	10	10	94
Strongly Disagree	6	6	100
Total	100	100	

Note. Respondents were asked if the use of ICT can lead to improved performance of the employees.

Relationship Between Motivation and Employee Performance

Questions 1 to 6 of this section we analysed using Likert's Scale.

Table 10

Code and value of responses

Option	Code	Point
Strongly Agree	SA	4
Agree	A	3
Disagree	D	2
Strongly Disagree	SD	1

Total value == Total respondents x Point of categories

Mean Average Value (MAV) = $\frac{\text{Total value}}{\text{Total response}}$

Table 11

Mean average value (MAV) of items 1-6

No.	Questions	SA	A	D	SD	Total Value	MAV
1	With the help of management, my performance has improved	25	40	10	25	265	2.65
2	My performance reduced when it took my employers long time to rotate the employees	20	46	4	30	256	2.56
3	I always perform my best when I know that I am accepted at work	38	34	16	12	298	2.98
4	With the current motivational practices at my working place, the performance of the employees is reduced	26	16	28	30	238	2.38
5	Employees often endeavour to meet the set goals/objectives which attract bonus payments	44	46	8	2	332	3.32
6	There is strong relationship between employee performance and motivation	60	36	2	2	354	3.54

Testing of Hypotheses

The test was conducted with 95% confidence level and 0.05% level of significance, (n-1) (c-1) degree of freedom.

The Chi-square (X^2) formula is $X^2 = \frac{(Fo - Fe)^2}{Fe}$

Where Fo = observed frequencies

Fe = expected frequencies

$$\text{i.e. expected frequency} = \frac{\text{Total Row} \times \text{Total Columns}}{\text{Grand total}}$$

$$\text{i.e. } \frac{\text{TR} \times \text{TC}}{\text{GT}}$$

H1: There is no strong relationship between employee performance and motivation.

From the table above, items 3, 4, 5 and 6 are used as data for this hypothesis.

Table 12

Responses to items 3-6 for relationship of performance and motivation.

Questions	SA	A	D	SD	Total
3	38	34	16	12	100
4	26	16	28	30	100
5	44	46	8	2	100
6	60	36	2	2	100
Total	168	132	54	46	400

Table 13

Chi-square calculation for observed frequency vs expected frequency.

Fo	Fe	Fo – Fe	[Fo-Fe] ²	$\frac{[\text{Fo-Fe}]^2}{\text{Fe}}$
38	42	-4	16	0.381
34	33	1	1	0.030
16	13.5	2.5	6.25	0.463
12	11.5	0.5	0.25	0.022
26	42	-16	256	6.095
16	33	-17	289	8.758
28	13.5	14.5	210.25	15.574
30	11.5	18.5	342.25	29.761
44	42	2	4	0.095
46	33	13	169	5.121
8	13.5	-5.5	30.25	2.241
2	11.5	-9.5	90.25	7.848
60	42	18	324	7.714
36	33	3	9	0.273
2	13.5	-11.5	132.25	9.796
2	11.5	-9.5	90.25	7.848
		TOTAL	=	102.401

Decision Rule

The rejection or acceptance of a null hypothesis is based on some level of significance as a criterion. The null hypothesis is rejected if X^2 calculation is greater than $X^{2\text{ tab}}$ and accepted for H_1 . The degree of freedom at .05 level of significance is given by

$$(R-1)(C-1) = (4-1)(4-1) - (3)(3) = 9.$$

The calculated $X^2 = 102.401$. The critical value at 0.05 level of significance and 9 degrees of freedom is 16.919. Since the X^2 calculated is 102.401 and the critical or table value at the 0.05 significance level and 9 degrees of freedom is 16.919, the null hypothesis is rejected, and the alternate hypothesis is accepted. Therefore, there is a strong relationship between employee performance and motivation.

Summary of Findings

This study demonstrates that the selected insurance company effectively and appropriately applied positive motivation to make its employees perform extremely well. It also discovered that there is a strong relationship between motivation and employee performance. The type of motivation determined the level of performance of the employee. When positive motivation was efficiently, skillfully and effectively applied, the level of employee performance increased and vice versa.

Conclusion and Recommendations

From the summary of findings, it can be inferred that the type of motivation will stimulate employees to perform very well and must be such that it will meet an employee's desired needs and expectations. Furthermore, motivation must be such that it will enhance an employee's promotion level and position, i.e. positive change.

This study therefore recommends that the insurance companies should always organize self-development programs for their employees. They must organize training and retraining programs as well. An employee must be moved to different departments in the insurance companies so that every staff member will acquire an all-round experience and skills within the organization. Hard work must be recognized and rewarded. All these recommendations, if put into practice or use, will reduce laziness, idleness, frustration and high labor turnover.

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